

FISCAL NOTE

HB 2430 - SB 2427

February 2, 2004

SUMMARY OF BILL: Mandates that health insurance companies offer and make available insurance coverage to reimburse the cost of bariatric surgery for clinically severe obesity. The bill requires health insurance providers to use the same reimbursement formula for bariatric surgery that they use for other procedures. Surgery is to be based upon clinical guidelines established by the National Institutes of Health. The bill does not apply to Medicare or TennCare (Medicaid) programs.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact:

Increase Expenditures - Exceeds 1,000,000/Health Insurance Industry

Increase Revenues - Exceeds \$1,000,000/Health Insurance Industry*

Estimate assumes:

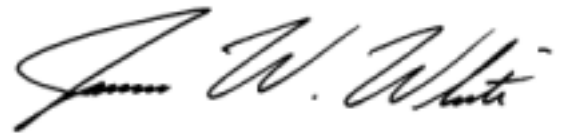
- Some insurance companies do not currently provide or offer coverage for these procedures. Those that do offer coverage may have guidelines for reimbursement that are more restrictive than the NIH guidelines.
- When coverage is offered some insured individuals or groups will choose the coverage with a corresponding increase in the number of procedures that must be reimbursed.
- 927 surgeries were performed in Tennessee in 2002 and only 10 were private pay, all others were paid for by government programs or by private insurers. Any increase would come from surgeries that would not otherwise be performed except for the expanded mandate.
- Currently such procedures cost about \$26,000 each. A significant number of cases require follow-up surgery with additional expense. An increase of only five percent would be 46 cases exceeding \$1,000,000.
- Insurance companies will calculate the actuarial expense of such procedures to increase the price of individual and group policies to recover all costs over the actuarial cycle.

- There is evidence that these procedures result in a decrease in conditions caused by morbid obesity such as diabetes, hypertension and coronary disease. Such health improvement will decrease expenditures for health insurance companies in the long run.
- The mandate does not impact TennCare, the state employee health plan, or local government health plans.

**The impact on the health insurance industry is included as required by Tennessee Code Annotated 3-2-111.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director